MINUTES OF 
PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE
Wednesday, 1 February 2017 
(6:08 - 8:30 pm)

Present: Cllr Dave Miles (Chair), Cllr Peter Chand, Cllr Elizabeth Kangethe, Cllr James Ogungbose, Cllr Tony Ramsay and Cllr Phil Waker

Also Present: Alan Hill and Phil Johnstone; Cllr Dominic Twomey and Cllr Maureen Worby

Apologies: Cllr Rocky Gill, Cllr Jeanne Alexander and Cllr Adegboyega Oluwole

35. Declaration of Members' Interests

There were no declarations of interest.

36. Minutes (5 December 2016)

The minutes of the meeting held on 5 December 2016 were confirmed as correct, subject to the following amendment:

Minute 29:
Composite Internal Audit and Counter Fraud report 2016/17- Half Year report
“Members sought justification of the awarding of the Chrome Book contract and also asked whether this was fit for purpose. In addition, they asked why the Council went from Chrome Books to laptops bearing in mind the expenditure on Chrome Books.”

37. Response to the Select Committee's request for Information

The previous approach to addressing Select Committee requests for information had been to circulate briefing notes to all PAASC members. As part of the Council’s governance process and the need for transparency and openness, such responses will now be included in a consolidated report. This report summarised the requests for information arising from the meeting held on 5 December 2016. For ease of reference, each of the requests were included in summary form, followed by the management’s response to each issue relating to: Bank Reconciliations, Homelessness and Hostel Accommodation, Sickness and Absence (internal Audit), No recourse to public funds (Internal Audit) and Skills Audit.

The Select Committee raised queries in the following areas:

Bank Reconciliations

Members asked why the Bank Reconciliation process had become more manually based. The Chief Operating Officer (COO) advised that it had been found that undertaking this task outside of Oracle had proved quicker however this could be subject to review at a later stage.
Skills Audit

Members asked about why 44% Commissioning and Contracts staff were shown as not possessing these skills and asked how this was being addressed. The COO advised that senior managers were currently on the Leadership Programme and this included commercial skills.

Corporate Risk Register (CRR)

Members asked about CRR Risk (F03) “Asset Management” which was identified as a ‘red’ impact for concern. The COO advised that a lot of work was being undertaken on updating the CRR and this was discussed at the Assurance Board and reviewed on a regular basis. The latest Assurance Board report on Housing Compliance for Quarter 3 (September-December 2016) would be provided at the next meeting.

Members were concerned about the CRR Risk “inability to provide school places”. (SRO5) with no improvement being shown in the period Q1 to Q2. The Strategic Director (SDS&I) provided an oral assurance that the Council would be able to provide school places in the next three years and could look at ways of reporting this in a different way in future.

Homelessness and Hostels Accommodation

It was advised that Cabinet would be considering a report on proposals for a new hostel. Members asked why Butler Court had such a high level of income and the response would be provided at the next meeting.

38. Annual Audit Letter 2015/16

This report summarised the key findings from the 2015/16 external audit of the Council, which covered the 2015/16 Financial Statements and Value for Money conclusion. An unqualified opinion was issued in respect of the accounts and KPMG were satisfied that the Council had satisfactory arrangements in place to secure value for money.

All the issues in the letter had been previously reported. The key recommendations were listed in appendix 1 of the report.

Phil Johnstone (KPMG) advised that this was his last meeting as he was moving to another role within his organisation. The Select Committee thanked him for all the information and helpfulness that he has shown to them and wished him well for the future.

In answer to a question, he confirmed that there were no areas of concern and that KPMG had issued an unqualified conclusion on the Council’s financial statements on 30 September 2016. They were satisfied that during 2015/16 the Council had appropriate arrangements for securing efficiency and effectiveness in the use of resources.
The Select Committee noted the report.

39. Certification of Grants and Returns 2015/16

This report sought to provide the outcome of an external audit work on the Council’s grants and returns during 2015-16.

Phil Johnstone (KPMG) referred in his report in particular to the Housing Benefit subsidy claim and that in terms of housing benefit, there had been an improvement in this area. There were no issues to report.

The Select Committee noted the report.

40. Addressing Financial Pressures in Children's Care and Support - The Children's Social Care Ambition and Finance Efficiency (SAFE) Programme

The Cabinet Member for Social Care and Health Integration introduced the report and hoped that it would provide the Select Committee with an assurance that steps were being taken to address the overspend. There would be a concentration on six programmes and recruitment/retention and the biggest challenge would be after April 2017 when there would be a new tax on employing agency workers.

To date, the SAFE programme helped achieve £3m savings in 2015/16, £5m savings in 2016/17 (part year effect) and was expected to deliver £7.8m savings in 2017/18 (full year effect). It was noted that the 2017/18 forecast is based on demand staying at current levels and assumes that the agency staff savings are delivered or alternative savings delivered. Members were also advised that in addition the service will have 2017/18 savings to deliver.

Further work was carried out by Children’s Care & Support in August 2016 to identify savings against budget lines not originally included within the scope of the SAFE programme. This “plan b approach” has delivered an additional savings of £1m in 2016/17 against Children in Need (section 17 and section 20 of the Children’s Act.) budget lines.

The expected overspend for Children’s Services was forecast to be in the range of £2.5m to £2.9m for 2016/17 and £100k to £300k for 2017/18. It was anticipated that the forecast overspend for 2017/18 would be managed down in year. The costs associated with achieving this are £930k in 2016/17.

The biggest budget challenge continued to be the recruitment and retention of permanent children’s social workers, with 48% of establishment (76FTE) currently filled with agency workers. This had given rise to the current overspend on establishment of £1.6m. This was being challenged through a) recruitment of experienced social workers & managers, b) growing our own pipeline of student & newly qualified social workers, c) convincing agency workers to become permanent as a result of the changes to tax legislation and d) reducing the number of permanent children’s social workers who leave the organisation. This approach was beginning to show some positive signs but progress was slow and remained a fundamental challenge.

The SAFE programme has broadly achieved its objectives and would be closed from March 2017. Most work that needed to continue would become “business as usual” activity with any outstanding project work being managed through the
redesign and transformation programme for Children’s Care & Support.

Members asked about comparisons with other Boroughs, recruitment and retention of social workers and attracting young people particularly to become social workers. They also asked expressed interest in setting up of a potential apprentice scheme. The SDS&I explained she was looking at a number of long term solutions. For example, Coventry University would be providing courses in health and social care but the lead in time from education to fully qualified social worker can take up to 4 years. The University was speaking to Head teachers about the range of options they can offer young people and this may well assist in the longer term.

Members asked for further information relating to the performance of the Children’s Social Care service. The Strategic Director, Service Development & Improvement (SD&SI) advised that she would circulate a wider dashboard to the Select Committee providing greater details.

The Select Committee noted

(i) The success achieved in reducing spend without adversely affecting service delivery;

(ii) The arrangements for maintaining future years spend within budget; and

(iii) The plans to close the programme in March 2017.

41. Overview of the Budget Process 2017/18

The Deputy Leader of the Council and Cabinet Member for Finance, Growth & Investment provided a presentation to the Select Committee on the overview of the Budget process for 2017/18.

This covered the following areas:

- The Current context
- The Budget Process then and now
- Leading with our balance sheet

Since 2011/12, the Council had seen its funding cut by over £70m, with over £42m occurring since 2014/15. Not only had the Council had to deal with funding cuts, there have been additional financial pressures. Since 2011/12, the Council has made savings to meet the cuts in funding and other pressures.

Moving on to Consultation, four public events and one business event had been held, with publicity placed in the press and website. Also posters and leaflets were placed in various locations prior to PAASC. There had been face to face sessions and an on-line survey which had elicited 120 responses which included a number of ideas. Forty four out of 120 respondents agreed that the Council should increase the Council tax by 1.99% in 2017/18 and use the money to protect key services in the future. It was disappointing that the response had been low.

The Budget framework 2017/18 and Medium Term Financial Strategy (MTFS) 2017/18 -2020/1 – Feb 2017 proposed the establishment of a new operating model for the Council, moving towards an organisation shaped around the needs of people, the place and goals with a new structure in place by October 2017. The
approach would be to increase revenue and be more efficient with a long-term view and insight, engagement and behaviour change. For 2017/18, the Council were proposing to implement savings of £9.275m through organisational change and efficiencies, increase Council Tax by 1.99% and an additional 3% which would raise £1.5m of income towards the cost of Adult Social Care. Finally, there would be an annual capital programme of approximately £10m, investing in infrastructure and improved facilities across the borough.

The Council faced significant challenges and £47.9m savings had already been identified with a further £15m to find over the next four years.

Members noted and welcomed the presentation and in particular felt that the new structure needed to be robust and asked for details of those who had been agreed to leave on a voluntary redundancy basis. It was advised that a report of the voluntary redundancy scheme would be provided to Members at the next meeting.

42. Corporate Delivery Plan 2016/17 - Quarter 2 Performance Report

The Select Committee agreed to defer this item to a later meeting.

43. Debt Management Performance and Write-Offs 2015/16 (Quarter 4)

This report set out the performance of the Council’s partner, Elevate East London, in carrying out the contractual debt management function on behalf of the Council. This report covered the second quarter of the financial year 2016/17. The report also included summaries of debt written off in accordance with the write off policy that was approved by Cabinet on 18 October 2011.

In answer to a question about Reside collection performance, it was noted that this was improving and efforts were made to track tenants’ debts.

Members expressed concern about the risk of debts not being recovered and it was advised that effort was being made in recouping the money back from existing tenants and officers were working to promote a culture of payment and having earlier contact with them. In addition, officers shared information with other Councils on debt recovery and in chasing those who owed money to the Council. A total of 78 tenants had been evicted in 2015/16.

In answer to question about Penalty Charge Notices, it was advised that a total of £419,441 had been collected up to the end of September 2016.

The Independent Adviser enquired about Housing Benefit overpayments showing a big increase in debt and asked how quick the Council was at applying DWP changes in performance and circumstances. This was 14 days and within target.

Members asked if the Council could review the Debt Management Strategy and the OCC stated that Cabinet would be reviewing this at a future stage.

The Select Committee noted that Cabinet had considered this report on 13 December 2016 and:

(i) Noted the contents of this report as it relates to the performance of the debt
management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of enforcement agents; and

(ii) Noted the debt write-offs for the second quarter of 2016/17.

44. Work Programme

The Work Programme was noted and Members asked for the following additional items:

1) Agency and Programme/Project Workers update- 5 April meeting and to include names if at all possible.

2) Members training budget- 5 April

3) Officer training budget- 5 April

The following item was deferred from this meeting – Corporate Delivery Plan Quarter 2. The original plan was to move this to the March meeting however as this would by that time be substantially out of date and in liaison with the Chair it was agreed that Q 3 would be submitted to the meeting in April 2017.